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POLICY STATEMENTS

34/82. TRADE DISPUTES BETWEEN EUROPE AND THE UNITED STATES

Mr. Peter Rees, the Minister of State
at the Department of Trade, at the
Council on Foreign Relations in New
York on June 28, 1982:

The steel dispute between the European Community and the United States came to a head when the Commerce Department published its preliminary findings on subsidies to European producers, Mr. Peter Rees, the Minister of State at the Department of Trade, said when he addressed the Council on Foreign Relations in New York on June 28.

"In the case of Britain," he said, "these findings mean an extra duty on some British Steel Corporation products sold in the U.S. of over 40 percent. The chances of B.S.C. selling over such a duty is, in realistic terms, negligible, so that, in fact, this will shut B.S.C. out of the U.S. market."

Mr. Rees said:

"Two major trade disputes are currently souring relations between Europe and the U.S. As we move towards the meeting of Ministers of the GATT countries in November the high hopes we had for re-affirming the open trading system and, perhaps, seeing movement towards liberalization in some areas now look to be threatened. We must try very hard indeed in the next weeks and months to settle our differences by negotiation. It may be premature and exaggerated to talk in terms of a 'trade war,' yet the danger of a series of measures and counter-measures -- tit-for-tat -- must be obvious to all.

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"The steel dispute came to a head recently with the Commerce Department preliminary findings on subsidies to European producers. In the case of Britain these findings mean an extra duty on some British Steel Corporation products sold in the U.S. of over 40 percent. The chances of BSC selling over such a duty is, in realistic terms, negligible, so that, in fact, this will shut BSC out of the U.S. market.

"The dispute tends to be discussed in rather legalistic, even academic terms. Each side hurls statistics and balance sheets at the other. Yet, at the root, this is a dispute about people and communities. Because the requirement to reduce worldwide steel-making capacity -- a need on which we all concur -- means, at the end of the day, losing jobs.

"In the U.K., the process of rationalization has gone further than, probably, in any other West European country and the U.S. In 1977 there were 208,000 employed in the British industry and BSC capacity was around 21.5 million tonnes. In 1982 we have under 104,000 employed and capacity at 14.4 million tonnes. You can do the sums yourselves. But the change has meant an enormous social cost. You have steel towns here. So do we in Britain.

"Three years ago the Durham town of Consett had an integrated steel plant employing over 3,600 men and women. BSC was the town's only major employer. That plant is now closed. All the jobs are gone. There is a small town called Shotton in North Wales which employed about 5,300 working in its steel plant in 1980. There are now just 2,500. One of our biggest steel centers is Port Talbot in South Wales. Three years ago it employed 12,000 people, now there are 5,600 -- and, I might add, producing steel with an efficiency approaching the best in Europe.

"The effect of the cuts on all these communities has been traumatic. The human cost is obvious. The financial cost to the British taxpayer is also huge. But we have been prepared to pay that cost to get a smaller and more viable steel industry.

"So what does the Commerce Department judgement say to us? It says: 'You have done everything we agreed was necessary to reduce capacity, you have paid the price. Now we are going to call the

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though we would have to point out the inconsistency of a prohibition on non-sensitive technology sales which will principally hit jobs in Europe, and the Administration's reluctance to make an equivalent sacrifice here and stop grain sales.

"I would only make these points:

1. The decision was taken unilaterally and without prior consultation with the countries most effected.
2. We, in Europe, cannot and will not accept the right of the U.S. to extend its jurisdiction to companies and persons established outside of its territory.
3. The decision has brought a unanimous condemnation from the Community and can only serve to raise the temperature of our already heated trade and economic relations.

"It is not for me to come here and lecture the U.S. Administration on its foreign policy. It is, however, very much for me -- and I will not be the last -- to point out the damage already done by these decisions and the dangers we face in the coming months and years if commercial policy cannot be settled between us as friends rather than competitors."

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money you have put into the industry to achieve that result a subsidy. We will put a duty on your exports to counter it. And that will knock you out of our market.'

"I am afraid that to us in Europe, that all sounds very much like a double penalty. Let us be absolutely clear. The money being put into BSC does not permit the company to sell into the U.K. market at a lower price than otherwise. It is not a subsidy on production; it is largely capital expenditure for the purpose of achieving a smaller and a profitable steel industry.

"The U.S. steel industry is, primarily, suffering from a recession. The European Community share in your market has hovered around the 4 - 6 percent level for the past five years. We have made no great inroads. British exports have fallen substantially. What we are seeing is an attempt to export unemployment from the U.S. to Europe through the unilateral use of a protectionist weapon based on what we regard as an unreasonable and arbitrary definition of subsidy.

"We could now spend months arguing over what is a subsidy and what is not -- in the GATT and the OECD and so on. Certainly, the European Community is in no doubt that it cannot accept the basis on which the Commerce Department's calculations were made or the outcome of those calculations in terms of the duties imposed on our exports. We could, and will, also consider aspects of U.S. protectionism which might call for counter-measures in Europe.

"I hope that the U.S. Administration will show itself sensitive to the social, political and economic implications of what it proposes. I hope its preliminary determinations can be reversed. I hope that these major trade disputes can be resolved by calm, patient and sensible negotiations. The alternatives are too serious for any of us to contemplate."

The West Siberian Gas Pipeline

"The sourness over the steel dispute has been embittered further by the recent decision by the Administration to extend its ban on oil and gas technology sales to the Soviet Union to U.S. subsidiaries operating abroad and to licensees. The political arguments over the ban are complex

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